Message Text

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ACTION EUR-10

INFO OCT-01 SS-14 ISO-00 AGR-03 NSC-07 NSCE-00 CIAE-00

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COME-00 CIEP-03 /056 W

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FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 4110

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

CONFIDENTIAL LUXEMBOURG 0652

LIMDIS

E.O. 11652: GDS TAGS: EEC, EAGR

SUBJ: GOL OFFICIAL DISCUSSES FRANCO-GERMAN CAP PROBLEMS

1. ON OCTOBER 2, MFA SECRETARY-GENERAL PIERRE WURTH TOLD DCM THAT CHANCELLOR SCHMIDT HAD INFORMED PRIME MINISTER THORN ON SEPTEMBER 23 THAT GISCARD APPROVED SCHMIDT'S RELUCTANCE TO GRANT EC AGRICULTURAL PRICE RISE ABOVE 4 PERCENT. GISCARD AGREED WITH SCHMIDT THAT NEED TO COMBAT INFLATION WAS PARAMOUNT, BUT FRENCH PRESIDENT COULD NOT TAKE SUBSTANTIAL INTERNAL POLITICAL RISK OF ENDORSING GERMAN'S POSITION PUBLICLY. ACCORDING TO WURTH, FRANCO-GERMAN UNDERSTANDING BROKE DOWN WHEN SCHMIDT MADE FRG REJECTION OF 5 PERCENT SEEM LIKE UNCONDITIONAL VETO, RATHER THAN ASKING SIMPLY FOR DISCUSSION OF CONFIDENTIAL

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VARIOUS NATIONAL AGRICULTURAL SUBSIDIES AND GENERAL

PHILOSOPHY OF CAP BEFORE PROCEEDING TO 5 PERCENT PRICE RISE. GISCARD'S FUNDAMENTAL ACCORD WITH FRG INSISTENCE ON ANTI-INFLATION MEASURES EXPLAINS FRANCE'S "MODERATE" REACTION TO SCHMIDT'S INITIAL VETO OF 5 PERCENT CAP PRICE RISE.

2. WURTH ADDED THAT THORN WAS VERY FAVORABLY IMPRESSED BY SCHMIDT'S INTELLIGENCE AND PRAGMATISM, IMPLYING THAT THE GERMAN CHANCELLOR (WHO ALSO HEADS A SOCIALIST/LIBERAL COALITION) MIGHT BE ABLE TO EXERT INCREASING INFLUENCE OVER THE GOL AT THE EXPENSE OF PARIS' TRADITIONAL ASCENDENCY HERE. FARKAS

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